

**HOLCOMB RECREATION COMMISSION
HOLCOMB, KANSAS**

**FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED JUNE 30, 2012**

**HOLCOMB RECREATION COMMISSION
HOLCOMB, KANSAS**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report.....	1
Financial Statements:	
Summary of Cash Receipts, Expenditures and Unencumbered Cash	2
Statement of Cash Receipts and Expenditures – Actual and Budget General Fund.....	3
Employee Benefits Fund	4
Notes to Financial Statements	5

Kennedy
McKee & Company LLP Certified Public Accountants

1100 W. Frontview
P. O. Box 1477
Dodge City, Kansas 67801
Tel. (620) 227-3135
Fax (620) 227-2308

JAMES W. KENNEDY, CPA
JAMES R. SHIRLEY, CPA
LU ANN WETMORE, CPA
ROBERT C. NEIDHART, CPA
PATRICK M. FRIESS, CPA
JOHN W. HENDRICKSON, CPA

INDEPENDENT AUDITOR'S REPORT

Holcomb Recreation Commission
Holcomb, Kansas

We have audited the accompanying financial statements of the Holcomb Recreation Commission, a discretely presented component unit of Unified School District No. 363, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the guidance in the *Kansas Municipal Audit Guide*. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note A, the Holcomb Recreation Commission has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Holcomb Recreation Commission as of June 30, 2012, or the changes in its financial position for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of the Holcomb Recreation Commission, as of June 30, 2012, and their respective cash receipts, expenditures, and budgetary results for the year then ended on the basis of accounting described in Note A.

Kennedy McKee & Company LLP

January 2, 2013

**HOLCOMB RECREATION COMMISSION
HOLCOMB, KANSAS**

SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

Year ended June 30, 2012

	General fund	Employee Benefits fund	Total
Unencumbered cash, beginning of year	\$ 1,087,813	\$ 225,236	\$ 1,313,049
Cash receipts	718,878	83,065	801,943
Expenditures	<u>663,137</u>	<u>123,845</u>	<u>786,982</u>
Unencumbered cash, end of year	1,143,554	184,456	1,328,010
Add outstanding encumbrances and accounts payable	<u>3,230</u>	<u>9,346</u>	<u>12,576</u>
Cash balance, end of year	<u><u>\$ 1,146,784</u></u>	<u><u>\$ 193,802</u></u>	<u><u>\$ 1,340,586</u></u>
Composition of cash:			
Demand deposits	<u><u>\$ 1,146,784</u></u>	<u><u>\$ 193,802</u></u>	<u><u>\$ 1,340,586</u></u>

The accompanying notes are an integral
part of the financial statements.

**HOLCOMB RECREATION COMMISSION
HOLCOMB, KANSAS**

GENERAL FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2012		
	2011	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Appropriation from Unified				
School District No. 363	\$ 533,024	\$ 570,000	\$ 570,000	\$ -
Program fees	46,342	38,132	40,000	(1,868)
Wellness center	38,093	39,816	43,000	(3,184)
Reimbursements	15,885	10,833	-	10,833
Interest	1,723	-	-	-
Donations	6,358	2,125	3,000	(875)
Miscellaneous	815	1,660	-	1,660
Pool	40,148	46,447	40,000	6,447
Rent	6,760	5,675	5,000	675
Special events	4,464	4,190	5,000	(810)
Total cash receipts	<u>693,612</u>	<u>718,878</u>	<u>\$ 706,000</u>	<u>\$ 12,878</u>
Expenditures:				
Advertising	2,875	3,758	\$ 5,000	\$ 1,242
Capital outlay	116,678	68,112	1,160,000	1,091,888
Communications	4,734	4,720	6,000	1,280
Insurance	21,178	25,083	26,000	917
Janitorial	1,304	1,255	3,500	2,245
Maintenance	23,948	22,008	30,000	7,992
Office	12,770	13,843	12,000	(1,843)
Pool	33,311	32,948	45,000	12,052
Payroll	345,466	365,137	356,000	(9,137)
Professional dues and permits	928	1,178	1,200	22
Professional fees	7,816	7,635	9,000	1,365
Programs	46,524	40,573	50,000	9,427
Refunds	1,793	1,435	2,000	565
Travel and training	9,711	14,685	10,000	(4,685)
Utilities	31,663	28,086	42,000	13,914
Vehicle expense	14,202	16,241	18,000	1,759
Wellness center	10,905	10,790	10,000	(790)
Miscellaneous	427	860	-	(860)
Transfer to employee benefits fund	3,532	4,790	-	(4,790)
Total expenditures	<u>689,765</u>	<u>663,137</u>	<u>\$ 1,785,700</u>	<u>\$ 1,122,563</u>
Receipts over (under) expenditures	3,847	55,741		
Unencumbered cash, beginning of year	<u>1,083,966</u>	<u>1,087,813</u>		
Unencumbered cash, end of year	<u>\$ 1,087,813</u>	<u>\$ 1,143,554</u>		

The accompanying notes are an integral part of the financial statements.

**HOLCOMB RECREATION COMMISSION
HOLCOMB, KANSAS**

EMPLOYEE BENEFITS FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2012		Variance
	2011	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Appropriation from Unified School District No. 363	\$ 75,000	\$ 77,000	\$ 77,000	\$ -
Interest	458	1,275	-	1,275
Transfer from general fund	3,532	4,790	-	4,790
Total cash receipts	78,990	83,065	<u> \$ 77,000</u>	<u> \$ 6,065</u>
Expenditures:				
Employee benefits	116,452	123,845	<u> \$ 130,400</u>	<u> \$ 6,555</u>
Receipts over (under) expenditures	(37,462)	(40,780)		
Unencumbered cash, beginning of year	<u> 262,698</u>	<u> 225,236</u>		
Unencumbered cash, end of year	<u> \$ 225,236</u>	<u> \$ 184,456</u>		

The accompanying notes are an integral
part of the financial statements.

**HOLCOMB RECREATION COMMISSION
HOLCOMB, KANSAS**

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies applied in the preparation of the accompanying financial statements is presented to assist the reader in understanding the Holcomb Recreation Commission's financial statements, which are presented in conformity with the cash basis and budget laws of the State of Kansas. The financial statements and notes are the representation of the Commission's management, which is responsible for their integrity and objectivity. The amounts shown for 2011 in the accompanying financial statements are included, where practicable, only to provide a basis for comparison with 2012, and are not intended to present all information necessary for a fair presentation in accordance with the basis of accounting described below.

1. Component unit

The Holcomb Recreation Commission is a discretely presented component unit of Unified School District No. 363. Four of the five members of the governing board are appointed by the Board of Education. The Commission operates as a separate governing body but the District levies the taxes for the Commission and the Commission has only the powers granted by statute, K.S.A. 12-1928.

2. Fund accounting

The accounts of the Commission are organized on the basis of funds. In governmental accounting, a fund is designated as a sum of money or other resources segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restriction or limitations and constituting an independent fiscal and accounting entity. Commission resources are allocated to and for individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The following funds comprise the financial activities of the Commission for the year ended June 30, 2012:

GOVERNMENTAL FUNDS

General Fund

The general fund is used to account for all financial transactions not properly accounted for in another fund. It receives a greater variety and number of general revenues than any other fund and finances a wider range of activities than any other fund.

Special Revenue Fund

The special revenue fund is used to account for the proceeds of specific revenue sources which must be devoted to some special use as required by law or specific regulations.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Basis of accounting

Statutory Basis of Accounting. The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and expenditure is charged in the fund from which the transfer is made.

The Commission has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Commission to use the statutory basis of accounting.

Departure from Accounting Principles Generally Accepted in the United States of America. The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Statements of net assets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balances are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences is not presented in the financial statements.

4. Budgetary information

Kansas statutes require that an annual operating budget be legally adopted for general funds, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

- a. Preparation of the budget for the succeeding year on or before August 1st.
- b. Publication in a local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
- c. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
- d. Adoption of the final budget on or before August 25th.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Budgetary information (continued)

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments during the current year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

5. Pension plan

Substantially all full-time employees are members of the State of Kansas Public Employees' Retirement System which is a cost-sharing multiple-employer state-wide pension plan. The Commission's policy is to fund all pension costs accrued; such costs to be funded are determined annually by the system's actuary.

6. Post-employment health care benefits

As provided by K.S.A. 12-5040, the Commission allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the Commission is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Budget Reconciliation Act (COBRA), the Commission makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the Commission under this program.

7. Cash and investments

The Commission pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Compensated absences

The Commission's policy grants eligible employees between 10 to 25 days of vacation per year, depending on years of service, and employees are allowed to carry over no more than 40 hours from year to year. Full-time employees will earn 12 days of sick leave on July 1st of each year and can accumulate to a maximum of 480 hours. Upon separation, sick leave will be paid out at 50% of the employee's current salary. The Commission's policy is to recognize the cost of compensated absences when actually paid.

B. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the Commission. The statute requires banks eligible to hold the Commission's funds to have a main or branch bank in the county in which the Commission is located, or in an adjoining county if such institution has been designated as an official depository, and the banks to provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Commission has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Commission's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Commission has no investment policy that would further limit its investment choices.

Custodial credit risk - deposits. Custodial credit risk is the risk that, in the event of a bank failure, the Commission's deposits may not be returned to it. State statutes require the Commission's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Commission does not have a designated "peak period".

At year-end the Commission's carrying amount of deposits was \$1,340,586 and the bank balance was \$1,378,425. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by FDIC insurance and \$1,128,425 was collateralized with securities held by the pledging financial institutions' agents in the Commission's name.

C. LONG-TERM DEBT

Changes in long-term liabilities for the Commission for the year ended June 30, 2012 were as follows:

<u>Issue</u>	<u>Balance beginning of year</u>	<u>Additions/ net change</u>	<u>Reductions</u>	<u>Balance end of year</u>	<u>Interest paid</u>
Compensated absences payable	\$ 22,876	\$ 3,408	\$ -	\$ 26,284	\$ -

D. DEFINED BENEFIT PENSION PLAN

Plan description. The Commission participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

Funding policy. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates at 4% of covered salary for Tier 1 employees (generally active members prior to July 1, 2009) and 6% for Tier 2 employees (generally active members on or after July 1, 2009). The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by statute for July 1 through December 31, 2011 was 7.74% and 8.34% for January 1 through June 30, 2012. The Commission's employer contributions to KPERS for the years ending June 30, 2012, 2011 and 2010 were \$20,077; \$17,641; and \$13,699; respectively, equal to the required contributions for the year.

E. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; natural disasters; and medical needs of employees. The Commission purchases commercial insurance to cover health, property, liability, and workers' compensation claims. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in any of the past three years.

F. INTERFUND TRANSFERS

Recurring annual operating transfers between budgetary funds for the purpose of shifting resources from the fund legally required to receive the revenue to the fund authorized to expend the revenue are operating transfers. This transfer, authorized by K.S.A. 12-1924, is as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>
General fund	Employee benefits fund	\$ <u>4,790</u>

G. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 2, 2013, the date on which the financial statements were available to be used. At the October 8, 2012 meeting, the Board approved plans for the expansion of the Recreation building. The amount approved for the construction was \$457,750 with an additional 8% or \$36,620 expected for architect fees bringing the total of the project to \$494,370.